

## THE HIGH COSTS OF ETHANOL

*New York Times Editorial*

Backed by the White House, corn-state governors and solid blocks on both sides of Congress's partisan divide, the politics of biofuels could hardly look sunnier. The economics of the American drive to increase ethanol in the energy supply are more discouraging.

American corn-based ethanol is expensive. And while it can help cut oil imports and provide modest reductions in greenhouse gases compared to conventional gasoline, corn ethanol also carries considerable risks. Even now as Europe and China join the United States in ramping up production, world food prices are rising, threatening misery for the poorest countries.

The European Union has announced that it wants to replace 10 percent of its transport fuel with biofuels by 2020. China is aiming for a 15 percent share. The United States is already on track to exceed Congress's 2005 goal of doubling the amount of ethanol used in motor fuels to 7.5 billion gallons by 2012. In his State of the Union speech in January, President Bush set a new goal of 35 billion gallons of biofuels by 2017. In June, the Senate raised it to 36 billion gallons by 2022. Of that, Congress said that 15 billion gallons should come from corn and 21 billion from advanced biofuels that are nowhere near commercial production.

The distortions in agricultural production are startling. Corn prices are up about 50 percent from last year, while soybean prices are projected to rise up to 30 percent in the coming year, as farmers have replaced soy with corn in their fields. The increasing cost of animal feed is raising the prices of dairy and poultry products.

The news from the rest of the world is little better. Ethanol production in the United States and other countries, combined with bad weather and rising demand for animal feed in China, has helped push global grain prices to their highest levels in at least a decade. Earlier this year, rising prices of corn imports from the United States triggered mass protests in Mexico. The chief of the United Nations Food and Agriculture Organization has warned that rising food prices around the world have threatened social unrest in developing countries.

A recent report by the Organization for Economic Cooperation and Development, an economic forum of rich nations, called on the United States and other industrialized nations to eliminate subsidies for the production of ethanol which, the report said, is driving up food costs, threatening natural habitats and imposing other environmental costs. "The overall environmental impacts of ethanol and biodiesel can very easily exceed those of petrol and mineral diesel," it said.

The economics of corn ethanol have never made much sense. Rather than importing cheap Brazilian ethanol made from sugar cane, the United States slaps a tariff of 54 cents a gallon on ethanol from Brazil. Then the government provides a tax break of 51 cents a gallon to American ethanol producers — on top of the generous subsidies that corn growers already receive under the farm program.

Corn-based ethanol also requires a lot of land. An O.E.C.D. report two years ago suggested that replacing 10 percent of America's motor fuel with biofuels would require about a third of the total cropland devoted to cereals, oilseeds and sugar crops.

Meanwhile, the environmental benefits are modest. A study published last year by scientists at the University of California, Berkeley, estimated that after accounting for the energy used to grow the corn and turn it into ethanol, corn ethanol lowers emissions of greenhouse gases by only 13 percent.

The United States will not meet the dual challenges of reducing global warming and its dependence on foreign suppliers of energy until it manages to reduce energy consumption. That should be its main goal.

There is nothing wrong with developing alternative fuels, and there is high hope among environmentalists and even venture capitalists that more advanced biofuels — like cellulosic ethanol — can eventually play a constructive role in reducing oil dependency and greenhouse gases. What's wrong is letting politics — the kind that leads to unnecessary subsidies, the invasion of natural landscapes best left alone and soaring food prices that hurt the poor — rather than sound science and sound economics drive America's energy policy.